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**INDEPENDENT STATE AUDITOR'S REPORT  
ON CERTAIN ACTIVITIES OF THE  
MASSACHUSETTS TURNPIKE AUTHORITY'S  
CENTRAL ARTERY/THIRD HARBOR TUNNEL  
THIRD PARTY AGREEMENTS  
JANUARY 1994 THROUGH DECEMBER 2005**

**OFFICIAL AUDIT  
REPORT  
MAY 17, 2006**

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The Central Artery/Third Harbor Tunnel (CA/T) Project is a major 7.5 mile interstate highway project designed to significantly reduce traffic congestion in downtown Boston through the construction of an eight to ten-lane underground Central Artery, a four-lane underwater tunnel that crosses Boston Harbor, and a commercial traffic by-pass road through South Boston. CA/T Project construction, which began in 1991, was 98% complete as of December 2005. Construction extends from the I-93 Massachusetts Avenue Interchange in the south, to beyond the Leonard P. Zakim Bunker Hill Bridge over the Charles River in the north, and from the Massachusetts Turnpike interchange by the Fort Point Channel in the west, under Boston Harbor via the Ted Williams Tunnel to Logan International Airport and Route 1A in the east.

In 1989, CA/T Project management estimated that the project, as then configured, would cost \$4.4 billion and would be completed in 1998. The project's cost estimate and completion date has been the subject of some controversy over the years due to the number of revisions made to these estimates. As of December 2005, CA/T Project officials estimate the total cost of the project to be \$14.625 billion.

Some construction areas of the CA/T Project overlie the construction areas of other state entities, such as the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts Port Authority (Massport). Throughout the planning and construction period, the CA/T Project and these other state entities identified construction projects where joint construction agreements, referred to as third party agreements or Interagency Service Agreements, would provide multiple benefits to the parties. As of December 2005, the CA/T Project third party costs totaled \$474 million.

This interim report reviewed the CA/T Project's management control over the allocation of insurance costs included in Interagency Service Agreements. To date, the OSA's 20 interim reports have identified \$592 million in inaccurate, unnecessary, excessive and avoidable project costs, as well as available savings opportunities.

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Management of the Central Artery/Third Harbor Tunnel (CA/T) Project is responsible for establishing adequate internal controls over all aspects of the project's operations. Such controls serve to ensure that all transactions are properly authorized, executed and reported. Financial plans, records and contractual agreements are important documents designed to provide project management and oversight officials with the information needed to make appropriate financial decisions.

Our review indicated that management controls over insurance costs contained in CA/T Interagency Service Agreements (ISA) needed to be improved in order for the Project to recover all insurance costs owed to the CA/T by others. Specifically, our review of selected MBTA Interagency Service Agreements identified evidence of inadequate

management controls that resulted in the CA/T Project not receiving at least \$3 million in insurance payments owed them by the MBTA. The control weaknesses involved inadequate billing and collection procedures, and unreliable project recordkeeping.

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## INTRODUCTION

### ***Background***

The Central Artery/Third Harbor Tunnel (CA/T) Project is a major 7.5 mile interstate highway project designed to significantly reduce traffic congestion in downtown Boston through the construction of an eight to ten-lane underground Central Artery, a four-lane underwater tunnel that crosses Boston Harbor, and a commercial traffic by-pass road through South Boston. CA/T Project construction, which began in 1991, was 98% complete as of December 2005. Construction extends from the I-93 Massachusetts Avenue Interchange in the south, to beyond the Leonard P. Zakim Bunker Hill Bridge over the Charles River in the north, and from the Massachusetts Turnpike interchange by the Fort Point Channel in the west, under Boston Harbor via the Ted Williams Tunnel to Logan International Airport and Route 1A in the east.

In 1984, the Massachusetts Highway Department (MHD) awarded a management consultant contract to the joint venture of Bechtel/Parsons Brinkerhoff (B/PB) to manage CA/T Project design and construction activities. The management consultant has responsibility for project management, preliminary design, final design management, procurement, construction management and environmental services. The Massachusetts Turnpike Authority (MTA) assumed ownership and management of the CA/T Project under state law enacted in March 1997.

In 1989, CA/T Project management estimated that the project, as then configured, would cost \$4.4 billion and would be completed in 1998. The project's cost estimate and completion date has been the subject of some controversy over the years due to the number of revisions made to these estimates. As of December 2005, CA/T Project officials estimate the total cost of the project to be \$14.625 billion.

### ***Interagency Service Agreements***

Some construction areas of the CA/T Project overlie the construction areas of other state entities such as the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts Port Authority (Massport). Throughout the planning and construction period, the CA/T Project and these other state entities identified construction projects where joint construction agreements referred to as third party agreements or Interagency Service Agreements (ISA) would provide multiple benefits to the parties, such as:

- Maximized efficiency through shared design and construction costs.
- Reduced administrative costs through use of shared project staff.
- Minimized disruptions to the community.

As of December 2005, the CA/T Project third party costs totaled \$474 million.

As provided for in the ISA, the third parties e.g., the MBTA, Massport, etc., are responsible for paying their share of the costs of third party work as identified in the Engineer's estimate of the work, as well as certain allocated costs associated with various other services provided the third party such as insurance costs, partnering and Disputes Review Board costs, etc. This interim report reviewed the CA/T Project's management control over the allocation of insurance costs included in ISA's.

To date, the OSA's 20 interim reports have identified \$592 million in inaccurate, unnecessary, excessive and avoidable project costs, as well as available savings opportunities.

#### ***Audit Scope, Objectives, and Methodology***

Our audit, which is ongoing, included an evaluation of the allocation of insurance costs to third parties to determine whether CA/T Project management controls were reasonable and effective. The objective of this interim audit was to determine whether the CA/T Project's management collected all insurance premiums due the Project from ISA construction partners, and exercised adequate control over its third party insurance agreements. In order to accomplish these objectives, we employed several audit tests and procedures during our examination. We reviewed four ISA's, internal operating policies and procedures and interviewed project officials. In addition, we reviewed contract modifications and amendments, cost records, correspondence, files and other documents, as determined necessary. Our examination was made in accordance with applicable generally accepted government auditing standards for performance audits.

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## AUDIT RESULTS

### MANAGEMENT CONTROL OVER INTERAGENCY SERVICE AGREEMENTS NEEDS IMPROVEMENT

Management of the Central Artery/Third Harbor Tunnel (CA/T) Project is responsible for establishing adequate internal controls over all aspects of the Project's operations. Such controls serve to ensure that all transactions are properly authorized, executed and reported. Financial plans, records and contractual agreements are important documents designed to provide project management and oversight officials with the information needed to make appropriate financial decisions regarding the projects.

Our review indicated that management controls over insurance costs contained in CA/T Interagency Service Agreements (ISA) needed to be improved in order for the Project to recover all insurance costs owed to the CA/T by others. Specifically, our review of selected MBTA Interagency Service Agreements identified evidence of inadequate management controls that resulted in the CA/T Project not receiving at least \$3 million in insurance payments owed them by the MBTA. The control weaknesses involved inadequate billing and collection procedures and unreliable project record keeping.

#### ***The CA/T Project Owner Controlled Insurance Program***

While design and construction contractors generally purchase their own insurance coverage and recover costs through their contracts, the CA/T Project utilizes an Owner Controlled Insurance Program (OCIP) that provides contractors working at the CA/T Project with coverage for a variety of risks. Known as a wrap-up insurance program, OCIP's are often used in large scale construction projects and usually result in lower total insurance costs for a number of reasons, including the elimination of redundant insurance services and profit margins associated with the purchase of insurance by each contractor and subcontractor. Included among the insurance coverage provided contractors under the Project's OCIP is worker's compensation insurance, general liability insurance, excess liability and builders risk insurance.

#### ***ISA Insurance Agreements***

In December 1995 the CA/T Project entered into an agreement with the Massachusetts Bay Transportation Authority (MBTA) to extend the CA/T's Wrap-Up Insurance Program to joint construction projects of CA/T and MBTA facilities. The MBTA agreed to pay to the CA/T

Project an amount for insurance equal to 10% of the value of the MBTA portion of the joint construction project costs. The agreements called for an insurance payment to be made within 30 days of the construction Notice To Proceed (NTP) date and additional insurance payments if the contractual cost of the MBTA portion of the construction increased due to change orders and claim costs.

To test the accuracy and reliability of the significant cost associated with insurance payments, we initially examined ISA #7833 between the CA/T Project and the MBTA.

For reasons of efficiency and cost savings, the CA/T and the MBTA agreed that as part of CA/T's construction of the I-90 South Boston Interchange, the CA/T would include construction of the MBTA's World Trade Center Station located in this area. The Agreement, signed January 17, 1997 stated the MBTA's insurance cost as \$3,259,627, calculated as 10% of the estimated construction value of \$32,596,265. Soon thereafter, the actual cost was determined to be \$34,867,793. On October 22, 1997, the broker invoiced the MBTA for \$3,486,780; 10% of the actual construction value. On December 1, 1997, the MBTA paid the broker \$3,259,627, the amount of the earlier estimate. It wasn't until January 2002, 5 years later, that the broker prepared an invoice for the \$227,153 difference between the invoiced amount of \$3,486,780 and the remitted amount of \$3,259,627.

On September 12, 2003, the parties amended ISA #7833 to increase the MBTA's insurance contribution by \$379,027 to collect the \$227,153 shortage and the additional insurance charges of \$151,874 due to construction change orders. We asked Project officials about the status of the insurance premiums due and were informed that they had not been collected. To correct this oversight, the Project billed the MBTA in October 2005.

As of December 2005, the debt remained uncollected, and MBTA construction costs increased an additional \$1,145,363, requiring an increase in MBTA's insurance premiums of \$114,536. This amount has also not been billed or collected.

On October 5, 2005, MBTA's Financial Manager stated to OSA that he was aware that an outstanding balance was due, and that the MBTA would pay the amount when presented with an invoice. On October 24, 2005 the MTA Risk Manager informed us that approximately \$400,000 was due from the MBTA for insurance, and that he would provide OSA with an

invoice of the total amount due. As of December 29, 2005, OSA had not received this information, but based on the methods used to calculate the invoice amount above, we estimate that the MBTA owes the Project \$493,564 in insurance premiums. As of December 31, 2005, the bulk of this debt had been delinquent for over two years. Whether or not the Project would have identified this delinquency and eventually billed MBTA for the amount due is questionable because we were advised that responsibility for following up on third-party insurance matters is unclear. When questioned as to how the insurance underpayments occurred, Project officials advised us that it was an oversight on their part.

We examined three additional ISA's with the MBTA and found that while the CA/T Project was compensated by the MBTA for the initial insurance costs, similar inadequate billing and collection efforts were associated with ISA change orders. The uncollected amounts for the four ISA's reviewed totaled approximately \$3 million, as shown in the following schedule by CA/T contract and ISA agreement number. There was also a loss of interest income to the CA/T project associated with the non-use of the uncollected funds.

Contract #	ISA #	Total Premium Due	Paid Premium	Premium Owed CA/T
C01A3	7833	\$ 3,753,191	\$ 3,259,627	\$ 493,564
C08A1	8894	2,679,554	2,266,005	413,549
C11A1	6725	8,061,101	6,107,397	1,953,704
C15A3	7069	<u>775,748</u>	<u>671,672</u>	<u>104,076</u>
Total		<u>\$15,269,594</u>	<u>\$12,304,701</u>	<u>\$2,964,893</u>

Management controls over ISA's need to be improved in order for the CA/T Project to be assured that all insurance reimbursements due have in fact been received, and that budgetary and financial records are current, complete and accurate so as to timely identify sources of funding due. However, because the Project is so near to completion, we are limiting our recommendation to recovery activities, rather than the strengthening of Project internal controls.

### ***Recommendation***

CA/T Project management should immediately recover the approximately \$3 million in insurance premiums due to the CA/T Project by the MBTA. In addition, Project Management



should review all ISA's to identify and collect any other amounts due the CA/T Project for insurance.

***Auditee's Response***

CA/T Project officials advised us that the report recommendations have been either implemented or are in the process of being implemented, and that they have commenced efforts to recover the unpaid amounts. These efforts include:

- Sending follow-up invoices to the MBTA.
- Providing information to the MBTA Risk Manager to initiate an internal inquiry concerning outstanding balances owed to the CA/T Project.
- Commencing measures to invoice additional amounts that are currently reimbursable.

Further, we were informed that CA/T Project Finance has completed its analysis of all interagency contracts with the MBTA, and has identified an additional amount of about \$730,000 they believe is due from the MBTA. Project officials also advised us that, "It is important to note that the Central Artery/Tunnel Project's formal contract close-out procedures provide the internal controls necessary to identify outstanding contract issues prior to final close-out. Therefore, to the extent that reimbursable insurance costs were not billed, the scope of the mentioned procedures is adequate to identify and correct the oversight prior to close-out."

***Auditor's Reply***

We commend the CA/T Project's renewed efforts to recover the insurance costs identified in this report as well as the additional amount due. This should result in a total insurance cost recovery of approximately \$3.7 million. Noteworthy, the largest of the ISA delinquencies identified in CA/T's follow-up review found that the Project had not billed or collected insurance premiums due from the MBTA in the amount of \$689,720 for ISA C17A6-9215. This ISA was executed in August 2001--more than 4 years ago. The significance of this disclosure reinforces our concern over the adequacy of the third-party billing and collection procedures purportedly in place.

While it is arguable whether the CA/T's contract close-out procedures would identify and correct the insurance reimbursement oversights discussed in this report, (none of the third party agreements have been closed out to date), the fact remains that significant reimbursable insurance costs remained un-invoiced and uncollected over a period of several years, when these funds might have been used to reduce Project costs. Further, relying on the Project's closeout process to rectify control weaknesses is not an adequate substitute for effective control over ongoing billing and collection activities.

## APPENDIX

### Annotated Massachusetts Turnpike Authority

#### Comments on the Draft Report

The following is the Central Artery Tunnel Project Finance Department's summary of the reimbursable costs:

Contract #	ISA #	Total Premium Due	Paid Premium	Premium Owed to CA/T	Amount Billed to MBTA Not Paid To Date	Amount to be Billed to MBTA upon completion of the Amendment
CO1A3 #1	7833	\$3,753,191	\$3,259,627	\$493,564	\$379,027	\$114,537
CO8A1#2	8894	2,679,554	2,266,005	413,549	92,554	320,995
C11A1#3	6725	8,061,101	6,107,397	1,953,704	1,899,870	53,834
C15A3#4	7069	<u>775,748</u>	<u>671,672</u>	<u>104,076</u>	<u>108,796</u>	<u>(4,720)</u>
CA/T Project Total		<u>\$15,269,594</u>	<u>\$12,304,701</u>	<u>\$2,964,893</u>	<u>\$2,480,247</u>	<u>\$484,646</u>

As this summary highlights, the Project has already invoiced the MBTA for the costs except for a balance of \$484,646. Of the balance to be invoiced, \$320,995 involves CO8A1, which is still on active construction.

Certain differences between the above summary and the draft report are explained in the following four MTA End Notes.

#### ***MTA End Note #1-C01A3***

On October 22, 1997, the Project invoiced the MBTA for the original agreement value for insurance in the amount of \$3,259,627. This value was based on the Engineer's Estimate prior to bid opening and was paid by the MBTA on December 1, 1997. Amendment #1 of the ISA dated July 21, 1999 revised the amount due from the MBTA based on the successful bid amount of \$3,486,780. The additional insurance amount of \$227,153 was invoiced by the Project. The MBTA has not paid this value nor the amended insurance amount based on executed contract modifications as of the latest ISA amendment date (Sept. 17, 2003) of \$151,875, which was invoiced on Oct. 25, 2005. A second notice for these amounts was presented to the MBTA on March 13, 2006.

Subsequent to the ISA amendment of Sept. 17, 2003, additional contract modifications have been executed that increase the insurance costs by \$114,537 for which the MTA and MBTA must review and amend the ISA accordingly.

#### ***Auditor's Comments on MTA's End Note #1***

The original interagency agreement dated January 15, 1997 required an insurance payment of \$3,259,627. This amount was determined per the terms of the December 21, 1995 insurance

agreement that calls for an insurance charge of 10% of the constructed asset value within 30 days of the Notice To Proceed (NTP) date. The NTP for this contract was April 15, 1997.

On October 22, 1997, over 5 months after the due date, the Project's insurance broker issued an invoice for \$3,486,780, reflecting a higher insurance charge based on the actual accepted bid price of the contract. The Project's statement that the October 22, 1997 invoice was for \$3,259,627 is incorrect.

On December 1, 1997, the MBTA issued a check for \$3,259,627, the amount due per the original agreement, but \$227,153 less than the invoiced amount of \$3,486,780.

On September 17, 2003, the parties issued amendment #3 that affirmed the \$3,486,780 invoiced by the broker six years earlier in October 1997. It combined the \$227,153 shortage with additional insurance charges of \$151,874, bringing the total insurance amount due from the MBTA to \$379,027.

On October 5, 2005, over two years later, the MBTA Accounting Director confirmed to the OSA that the \$379,027 was owed to the Project. He stated that the MBTA was never invoiced but would pay the amount when billed.

On October 6, 2005, the Project Risk Manager informed the OSA that the issue would be researched and resolved.

The Project stated in its March 28, 2006 response to the OSA that an invoice for the additional insurance charges of \$151,875 was issued on October 25, 2005, and a second notice was issued on March 13, 2006. It should be noted that these were issued after the OSA inquired into the status of these accounts.

Since the September 17, 2003 amendment, additional insurance charges of \$114,537 have been incurred by the MBTA. This amount, combined with the \$227,153 shortage and \$151,874 additional premium identified in the 2003 amendment brings the total outstanding insurance amount to \$493,564.

***Summary***

The \$227,153 insurance billing shortage has not been collected for over 5 years, and the remaining \$266,411, of which \$151,875 has been due for over two years, has not been invoiced or collected. We believe this history is the result of inadequate internal controls and the lack of an aggressive collection policy.

***MTA End Note #2 – C08A1***

The Project agrees with the OSA for C08A1 with regard to the value of insurance costs paid by the MBTA of \$2,266,005, which is based on the ISA original agreement. However, Amendment #1 of the ISA, which was initiated by the Project, has not been signed by all parties. This amendment calls for additional insurance reimbursement by the MBTA in the amount of \$92,554 based on contract modifications through 2003 totaling \$925,541. The OSA is correct that total executed contract modifications currently total \$4,135,487. C08A1 is still in active construction, which accounts for the additional \$3.2 million in contract modifications since 2003. These modifications will be the subject of a subsequent ISA amendment that is most efficiently processed at the time of C08A1 construction completion and closeout.

***Auditor's Comments on MTA's End Note #2***

Per the terms of the ISA dated March 29, 2000, the Project agreed to reimburse the MBTA for costs incurred to relocate the MBTA's Airport Station. The ISA stated that the MHD reimbursement would be partially offset by the cost of the MBTA's inclusion in the Project's OCIP insurance program per the terms of the December 1995 insurance agreement letter. The amount was determined to be \$2,266,005 (10% of the construction cost of the new Airport Station).

The Project states in its March 28, 2006 response to the OSA that it plans to execute an amendment to recover an additional insurance cost of \$92,554 based on 10 % of additional construction costs of \$925,541 through 2003. However, as of March 2006 no amendments have been executed for this ISA.

Furthermore, from August 2001 through June 2005 (the date of the last executed contract modification), additional contract modifications totaling \$3,209,947 have been issued, resulting in an additional reimbursable insurance cost of \$320,995. These costs have not been billed or collected.

**Summary**

The \$92,554 unexecuted amendment and the subsequent insurance charges of \$320,995 total \$413,549. These amounts remain unbilled and uncollected as a result of inadequate internal controls and billing policies.

**MTA End Note #3 – C11A1**

The amount of insurance premium reimbursement due under the original ISA was \$6,107,397. This amount was invoiced on March 25, 1995 and paid by the MBTA on June 13, 1996. An additional amount (\$1,899,870) was invoiced by the insurance project manager on December 29, 2004 based on executed contract modifications. This amount has not been paid by the MBTA even though the Project submitted a second notice for the same amount on July 20, 1995. A third notice was presented to the MBTA on Oct 25, 2005; with a fourth notice presented on March 13, 2006. Therefore, the Project believes that the MBTA is fully responsible for balances due and that the Project has managed its affairs properly and efficiently. The \$53,834 ... represents insurance premiums due from the MBTA for contract modifications executed after ISA Amendment #7 dated October 8, 2003. Note that the final resolution of insurance costs payable by the MBTA will depend upon the Project's final contract settlement with Perini, Kiewit and Cashman.

**Auditor's Comments on MTA's End Note #3**

As indicated above, on March 25, 1995 the Project's broker issued an invoice for \$6,107,397 payable April 25, 1996. The MBTA paid the invoice on June 13, 1996. Over the next eight years, from November 1996 through December 2004, the MBTA incurred additional construction costs of \$19,537,039 without additional insurance billings. The additional costs are shown below:

Year	Additional Constructions Cost	Insurance at 10 %	Cumulative Outstanding Total*
1996	\$ 8,250,000	\$ 825,000	\$ 825,000
1997	1,269,319	126,932	951,932
1998	2,123,294	212,329	1,164,261
1999	(117,368)	(11,737)	1,152,524
2000	6,503,477	650,348	1,802,872
2001	692,309	69,231	1,872,103
2002	8,194	819	1,872,922
2003	-	-	1,872,922
2004	807,814	80,781	1,953,703
2005	-	-	1,953,703
Totals:	<u>\$19,537,039</u>	<u>\$1,953,703</u>	\$1,953,703

\*minor differences due to rounding.

On November 16, 2004, the parties executed ISA amendment 7 that identified \$18,998,705 in additional costs through October 2003, resulting in \$1,899,870 (10%) in additional insurance costs due from the MBTA. On December 29, 2004 the Project's broker finally invoiced the MBTA for that amount. The remaining \$53,834 in insurance premiums has not been billed and the entire \$1,953,703 has not been collected from the MBTA.

The July 20 and October 25, 2005 and March 13, 2006 invoices were issued after the OSA inquired into the status of third party insurance payments. It should also be noted that these delinquent amounts due are independent of any final contract settlements with Perini, Kiewit and Cashman and the Project.

### ***Summary***

Allowing nearly \$2,000,000 in insurance reimbursements to remain uncollected for years while these funds could have been used to defray other Project costs is neither proper nor efficient. We believe that this is the result of inadequate internal controls and the lack of an aggressive collection policy.

### ***MTA End Note #4 – 15A3***

The project agrees with the OSA analysis regarding the total amount of insurance cost due from the MBTA in the amount of \$775,748. Subsequent to contract award, the Project invoiced the MBTA for the original MBTA contract value of insurance costs in the amount of \$671,672, which was paid by the MBTA in January 1998. Executed contract modifications total \$1,036,307, which results in additional insurance reimbursements from the MBTA of \$103,631. On December 29, 2004 the Project invoiced the MBTA for these costs. A second notice was presented to the MBTA on July 20, 2005; a third notice on Oct 25, 2005; a fourth notice on March 13, 2006. Therefore, the Project believes that the MBTA is fully responsible for balances due and that the Project has managed its affairs properly and efficiently.

### ***Auditor's Comments on MTA's End Note #4***

The original interagency agreement (ISA) dated October 4, 1995 required an insurance payment of \$335,836 due at the inception of the contract. This amount represented 5 % of the constructed asset value. No payment was made.

On January 15, 1997, the parties executed an amendment to increase the MBTA's insurance cost by \$335,836, an additional 5 % to conform with the 10 % insurance cost agreement documented

in a December 21, 1995 letter from the CA/T Project Director to the MBTA General Manager. The amendment increased the MBTA's total insurance cost to \$671,672.

On May 30, 1997, the Project's insurance broker issued an invoice to the MBTA for \$773,321, based on a proposed amendment to increase the MBTA's constructed asset value. The amendment was never executed.

On January 12, 1998, seven months after the invoice was presented and over two years after the original agreement, the MBTA submitted an insurance payment in the amount of \$671,672.

On January 16, 2002, four years later, the broker invoiced the MBTA for a \$ 108,796 balance due, based on what they believed to be a billing discrepancy <sup>1</sup>

On December 29, 2004 the broker submitted a second invoice for \$108,796 based on the 1997 billing error. The MTA's March 28, 2006 comment to the OSA incorrectly states that this December 29, 2004 invoice was in the amount of \$103,631, for additional insurance charges due to contract modifications.

The Project states that on July 20, 2005 the Project invoiced the MBTA the amount of \$103,631, representing additional insurance costs due from contract modifications. In fact, this invoice is for \$108,796, relative to the 1997 billing error. It should be noted that this invoice and the October 25, 2005 and March 13, 2006 invoices were prepared after the OSA questioned these and other outstanding insurance balances.

Executed contract modifications for this agreement total \$1,040,752 as of December 31, 2005, which results in an additional 10 % insurance charge of \$104,075. The Project has not invoiced or collected this amount from the MBTA as of April 5, 2006. All invoices provided to the OSA for review are for the erroneous amount of \$108,796.

### ***Summary***

The billing discrepancy of \$101,649 has not been resolved after seven years, and the insurance premium of \$104,075 due from additional construction costs incurred between August 1996 and

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<sup>1</sup>The invoice erroneously states the difference between \$773,321 and \$671,672 as \$108,796; the correct amount would have been \$101,649 if the proposed amendment were executed.



November 2003, has not been invoiced or collected. Records obtained from the broker and the MTA were conflicting and incomplete. We believe this history is the result of inadequate internal controls and the lack of an aggressive collection policy